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May 1, 1998

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BY HAND DELIVERY

Magalie Roman Salas, Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

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MAY - 1 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

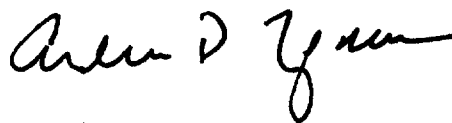
Re: Ex Parte Presentation in CC Docket No. 97-211

Dear Secretary Salas:

Transmitted herewith on behalf of WorldCom, Inc. and MCI Communications Corporation and pursuant to Section 1.1206(a) of the Commission's Rules, 47 C.F.R. § 1.1206(a) (1997), this is to provide an original and one copy of a notice of an *ex parte* presentation made this morning in the above-referenced proceeding on behalf of WorldCom, Inc., by Robert Koppel, Kerry Murray, and the undersigned, and MCI Communications Corporation, by Sandy Reback, Jack Scorce, and Larry Blosser. These WorldCom and MCI participants met with Michelle Carey and Daniel Shiman of the Common Carrier Bureau, and Diane Cornell, Helen Domenici, Cathy Hsu, George Li, Joanna Lowry, Troy Tanner, and Mark Uretsky of the International Bureau to make a presentation regarding international issues and to respond to inquiries of staff. The attached written materials were provided to the Commission participants at the meeting.

Should any further information be required with respect to this *ex parte* notice, please contact the undersigned. I would appreciate it if you would please date-stamp the enclosed extra copy of this filing and return it with the messenger to acknowledge receipt by the Commission.

Very truly yours,



Andrew D. Lipman

Enclosures

cc: Robert Koppel
Kerry Murray
Sandy Reback
Jack Scorce
Larry Blosser
Michelle Carey
Daniel Shiman

Diane Cornell
Helen Domenici
Cathy Hsu
George Li
Joanna Lowry
Troy Tanner
Mark Uretsky

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MCI/WorldCom Merger CC Docket No. 97-211

Ex Parte Presentation by MCI/WorldCom

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Procompetitive Effects of the Merger

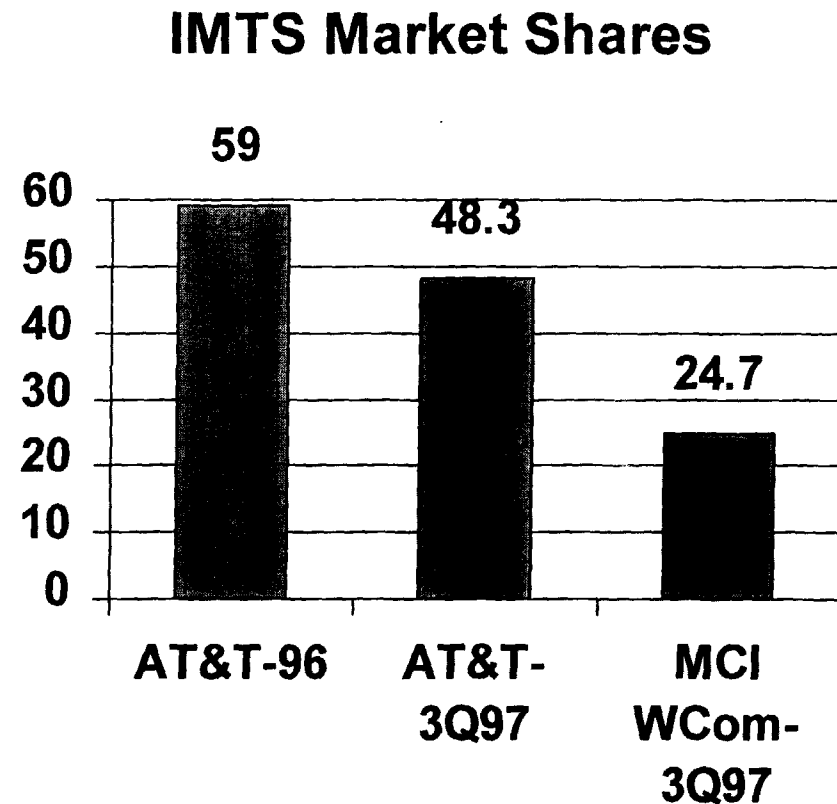
- ◆ Combine networks to provide end-to-end service on a global basis
 - WorldCom's European and Asian networks
 - MCI's affiliates in Mexico and New Zealand
- ◆ Benefits:
 - Significantly reduced overseas termination costs
 - » Lower rates for consumers
 - Better quality of service, reliability, flexibility, and faster activation of service

Procompetitive Effects of the Merger

- ✦ MCI/WorldCom will be a more effective global competitor
 - The market is increasingly global
 - With WTO Agreement and FCC implementation, many incumbent foreign carriers have already received Section 214 authorization
 - Formidable competition: *e.g.*, AT&T/Unisource; Sprint/DT/FT (Global One); BT; C&W; NTT

International Message Telephone Service

- ◆ The combined IMTS shares of MCI (20.3%) and WorldCom (4.4%) are approximately half AT&T's current IMTS market share and much lower than AT&T's share when it was declared nondominant.



International Message Telephone Service

- ◆ New entrants: incumbent foreign carriers
- ◆ Precluded entrants: Bell Operating Companies
- ◆ MCI/WorldCom face facilities-based competition on every route

International Private Line Services

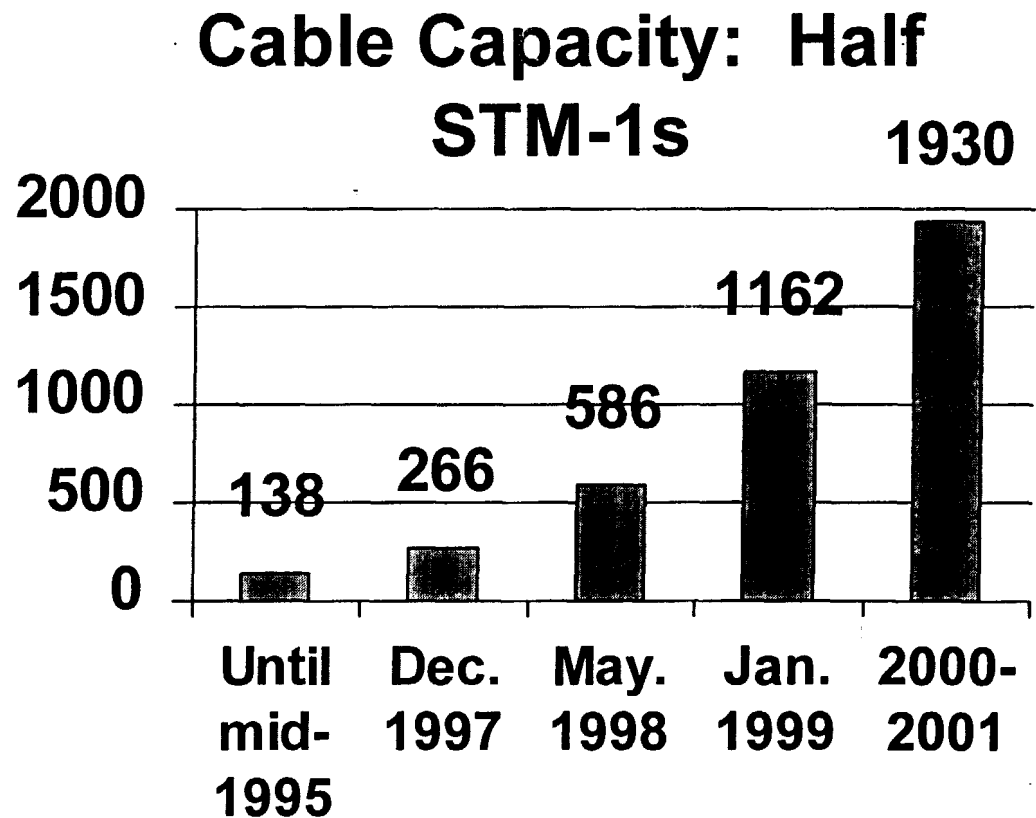
- ◊ IPL revenues (\$661 million) account for only 4.4% of all international service revenues (\$15 billion)
- ◊ MCI/WorldCom have only a 28% combined share of total IMTS and IPL revenue
- ◊ 56% of reported IPL revenues are earned by carriers other than MCI and WorldCom
 - MCI/WorldCom combined own only 34.6% of private line circuits

International Private Line Services

- The few routes for which MCI/WorldCom have 100% of IPL revenue account for only 0.4% of all IPL revenue
 - \$2.7 million of \$661 million total IPL revenue
 - On each route, facilities competition exists
 - IPL revenue on these routes only 3% of IMTS revenue

Transatlantic Capacity Developments

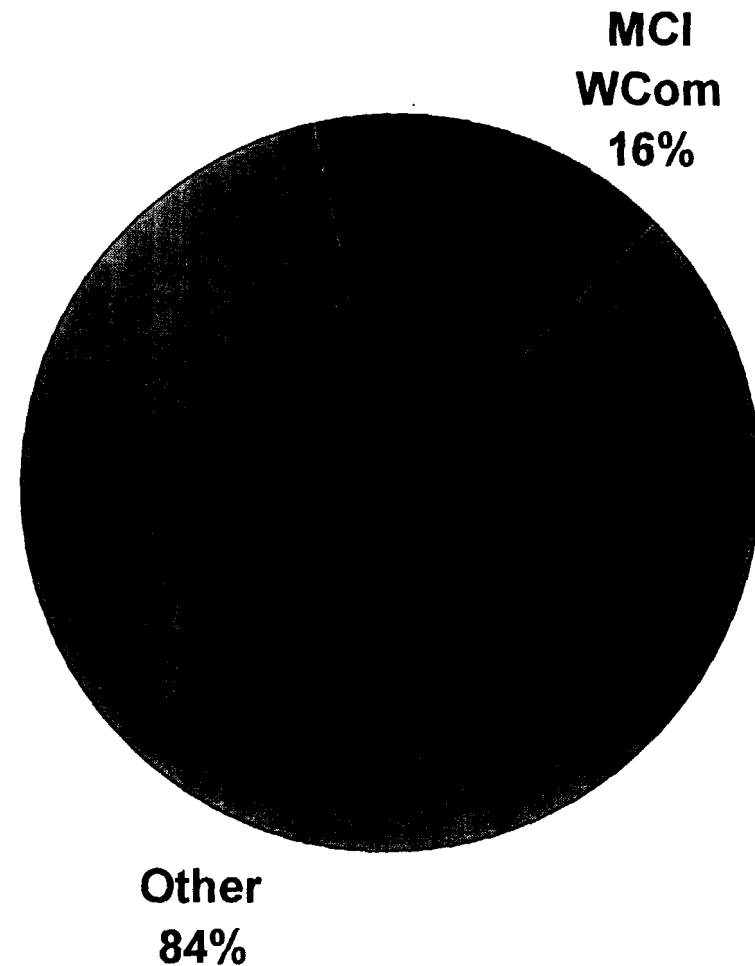
- ◆ Before TAT-12/13 put in service in mid-1995, TAT-8/9/10/11, PTAT & CANTAT-3 = 138 half STM-1s
- ◆ By Dec. 31, 1997: 266 half STM-1s
- ◆ As of May 30, 1998: 1st phases of Gemini (64 half STM-1s) and AC-1 (256 half STM-1s) complete
- ◆ As of Jan. 31, 1999: Gemini adds 192 half STM-1s; transatlantic AC-1 (256 half STM-1s added) & TAT-12/13 upgrade (128 STM-1s added) complete
- ◆ 2000-2001: TAT-14 = 640 half STM-1s (upgradeable to 1280); 2nd TAT-12/13 upgrade (128 half STM-1s)



Note: 1 STM-1 = 63 E-1s. An E-1 equals 30 64 Kbps voice grade circuits. Thus, one STM-1 equals 1890 voice grade circuits (without multiplexing).

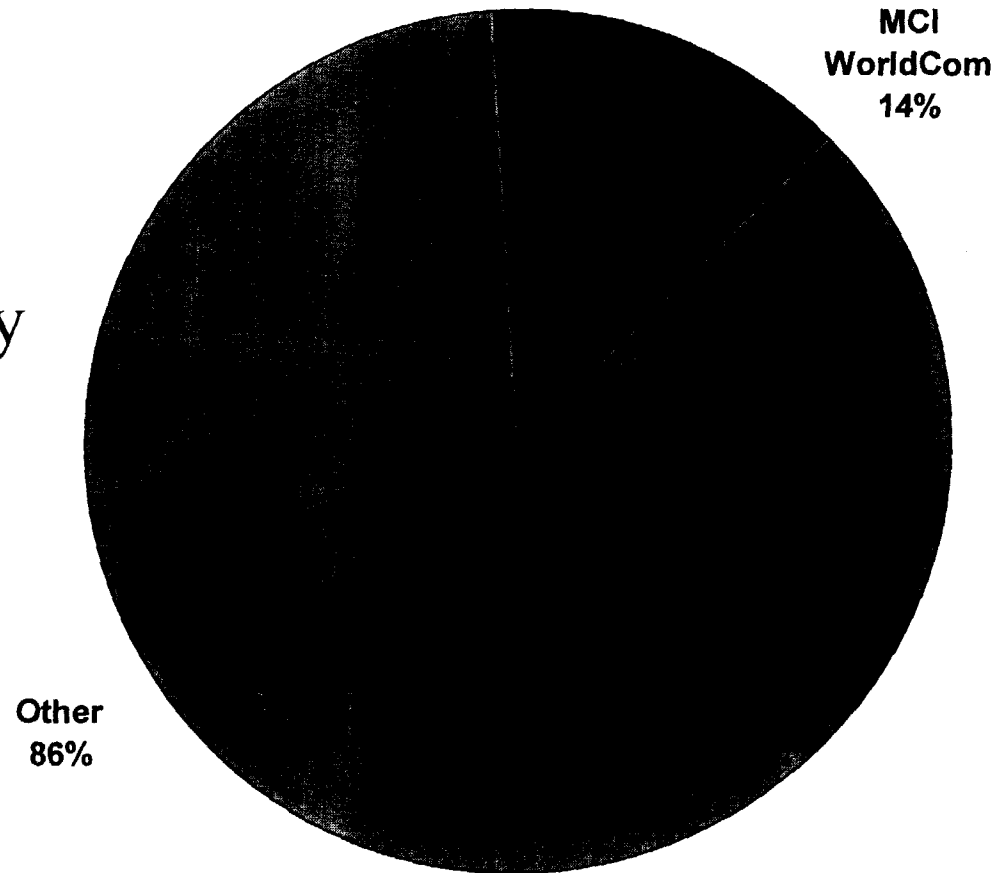
MCI/WorldCom Share of Total Transatlantic Capacity: May 30, 1998

- ◆ As of May 30, 1998:
MCI and WorldCom combined will account for only 16% of total transatlantic cable capacity (586 half STM-1s)



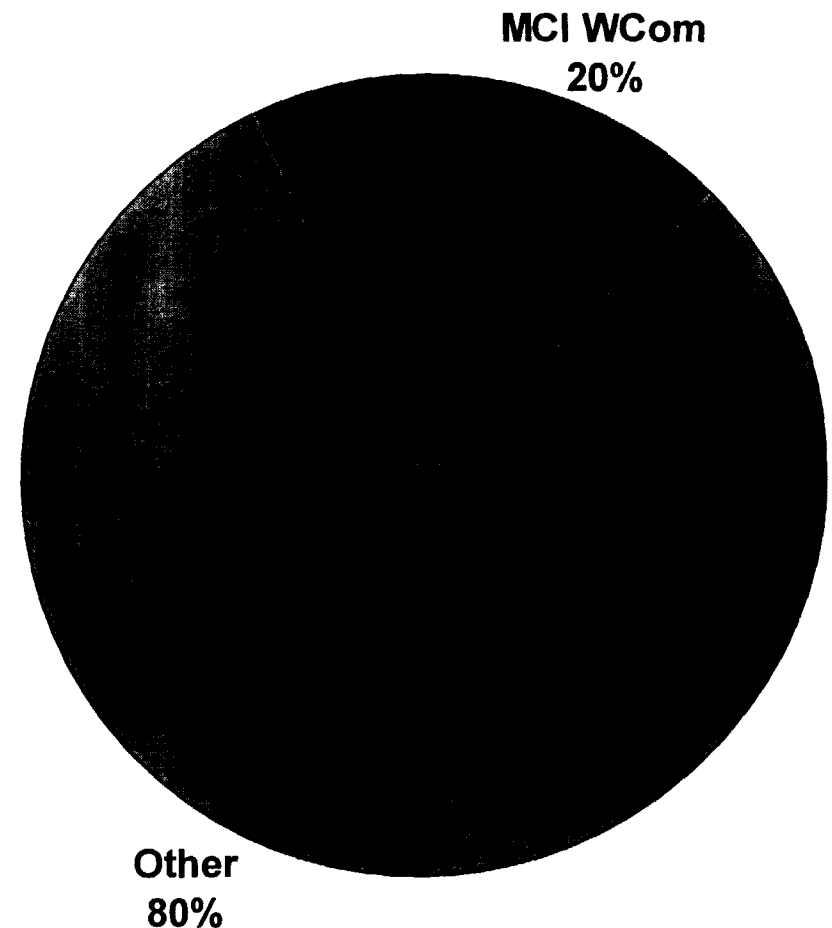
MCI/WorldCom Share of Total Transatlantic Capacity: Jan. 31, 1999

- ◆ As of Jan. 31, 1999:
MCI and WorldCom
combined will own only
14% of total
transatlantic cable
capacity (based on
current commitments).



MCI/WorldCom Share of Total Transatlantic Capacity if Half of Gemini's Capacity is Attributed to the Merged Entity: January 31, 1999

- ❖ Even if fully 50% of Gemini's capacity is attributed to MCI/WorldCom, its share of total transatlantic capacity would only be 20%.



Lack of Entry Barriers In International Transport Market

- ❖ Due to regulatory streamlining and market developments, a new cable system like Gemini can be ready for service in less than 18 months.
- ❖ The per-unit cost of constructing a cable continues to decrease dramatically:
 - TAT-8: \$25,000 per 1/2 64 kbps circuit
 - TAT-12/13 (original): \$3,000 per 1/2 64 kbps circuit
 - TAT-12/13 WDM: \$1,750-2,000 per 1/2 64 kbps circuit
 - AC-1: approximately \$1,000 per 1/2 64 kbps circuit
- ◆ WTO Agreement eliminates regulatory barriers to landing and operating new cable systems in WTO member countries.

MCI/WorldCom's Competitors Already Own Whole Circuit Capacity

- ◆ AT&T, Sprint, BT, C&W, DT, KDD, Tele2, Telia, and Teleglobe each own at least one whole STM-1 circuit on TAT-12/13. Other carriers, including Unisource, own at least one whole STM-1 on other cables.